

**S.E.C. RULE 15c2-12**  
**ANNUAL REPORT**  
**FISCAL YEAR ENDED JUNE 30, 2006**

The State of California (the "State") hereby provides its annual report for the fiscal year ended June 30, 2006 in connection with the following:

**Bond Issue**

Name of Issue	Dated Date	Date of Continuing Disclosure Agreement
State of California Economic Recovery Bonds, Series 2004A and 2004B	5/11/04	5/11/04
State of California Economic Recovery Bonds, Series 2004C	6/16/04	6/16/04

The base CUSIP number for the bond listed above is 13067J - \_\_ \_\_.

Note: The base CUSIP number provided is for the convenience of Bondholders. The State Treasurer's Office is not responsible for the accuracy or completeness of such numbers. Capitalized terms used in this Report have the meanings set forth in the respective Continuing Disclosure Certificates or in the Official Statement for the respective series of Bonds.

**Annual Report**

The State's "annual report" (as defined in the Continuing Disclosure Certificates for the Bonds) for the fiscal year ended June 30, 2006 consists of:

1. As required by Section 4(1) of the Continuing Disclosure Certificates, the Audited Basic Financial Statements of the State for the year ended June 30, 2006 are set forth in Exhibit 1 attached hereto. The financial statements conform to the Governmental Accounting Standards Board ("GASB") accounting principles generally accepted in the United States of America. The components of the Audited Basic Financial Statements are Government-Wide Financial Statements, Fund Financial Statements and Notes to the Financial Statements.
2. As required by Sections 4(4) and (5) of the Continuing Disclosure Certificates, Financial information contained in Appendix A, which is incorporated herein attached as Exhibit 2. The Appendix A as attached is an appendix to the Preliminary Official Statement, dated March 21, 2007, with respect to State of California General Obligation Refunding Bonds.

3. The following information is required by Section 4(3) of the Continuing Disclosure Certificate: \$1,402,496,139.01 in Special Sales Tax Revenues was collected from July 1, 2005 through June 30, 2006. Actual Debt Service Coverage for the period ending June 30, 2006 was 1.76. As of June 30, 2006, \$623,400,000 of Economic Recovery Bonds were retired from excess Special Sales Tax Revenues.
- 4 Updated tables as required by Section 4(2) of the Continuing Disclosure Certificates are set forth in Exhibit 2 attached hereto.

### **Other Matters**

This annual report is provided solely for purposes of the Disclosure Certificates. The filing of this report does not constitute or imply any representation (i) that all of the information provided is material to investors, (ii) regarding any other financial, operating or other information about the State or the Bonds, or (iii) that no changes, circumstances or events have occurred since the end of the fiscal year to which this report relates (other than as referred to in this report), or that no other information exists, which may have a bearing on the State's financial condition, the security for the Bonds, or an investor's decision to buy, sell, or hold the Bonds. The information contained in this report has been obtained from sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness. No statement in this annual report should be construed as a prediction or representation about future financial performance of the State.

Dated: March 30, 2007

State of California

Original Signed by Lai Louie  
Deputy State Treasurer  
For State Treasurer, Bill Lockyer

**Population Growth in California  
1990-2006**

<b>July 1</b>	<b>Population</b>	<b>Change From Previous Year</b>	<b>Annual Growth</b>
1990	29,828,000	686,000	2.35%
1991	30,459,000	631,000	2.12%
1992	30,987,000	528,000	1.73%
1993	31,314,000	327,000	1.06%
1994	31,524,000	210,000	0.67%
1995	31,712,000	188,000	0.60%
1996	31,963,000	251,000	0.79%
1997	32,453,000	490,000	1.53%
1998	32,863,000	410,000	1.26%
1999	33,419,000	556,000	1.69%
2000	34,099,000	680,000	2.03%
2001	34,784,000	685,000	2.01%
2002	35,393,000	609,000	1.75%
2003	35,990,000	597,000	1.69%
2004	r/ 36,522,000	532,000	1.48%
2005	r/ 36,982,000	460,000	1.26%
2006	37,444,000	462,000	1.25%

r/ revised

Source: U.S. Department of Commerce, Bureau of the Census, Population Estimates Program, and the California Department of Finance estimates.

**Taxable Sales by Major Sector**  
**(1970 through calendar year ending December 31, 2005)**

<b>Calendar Year Ending December 31</b>	<b>Apparel</b>	<b>General Merch.</b>	<b>Specialty Merch.</b>	<b>Drinking &amp; Eating</b>	<b>Trans- portation</b>	<b>Building</b>	<b>Services</b>	<b>Manu- facturing</b>	<b>Agri-culture</b>	<b>Fuel</b>
1970	4.3%	22.9%	8.4%	9.6%	17.3%	12.7%	3.1%	12.7%	1.1%	8.1%
1980	3.3%	17.9%	9.6%	9.5%	15.9%	13.0%	3.2%	13.4%	1.4%	12.8%
1990	3.7%	17.3%	12.2%	10.1%	17.4%	13.2%	5.0%	13.0%	1.2%	6.9%
1998	3.3%	16.3%	14.1%	10.2%	18.1%	11.9%	5.8%	13.5%	1.2%	5.8%
1999	2.9%	16.1%	13.9%	10.0%	19.0%	12.3%	5.6%	13.0%	1.1%	6.1%
2000	2.9%	15.5%	13.9%	9.7%	19.4%	12.2%	5.5%	13.2%	1.0%	6.8%
2001	3.0%	15.9%	13.0%	10.0%	20.5%	12.7%	5.4%	12.0%	1.0%	6.6%
2002	3.2%	16.2%	12.7%	10.3%	21.3%	12.9%	5.0%	11.1%	1.0%	6.3%
2003	3.3%	16.1%	12.5%	10.3%	21.0%	13.2%	4.7%	10.6%	1.0%	7.2%
2004	3.4%	15.6%	12.4%	10.2%	20.4%	14.2%	4.3%	10.7%	1.1%	7.8%
2005	3.5%	15.3%	12.3%	10.2%	19.7%	14.3%	4.1%	10.9%	1.1%	8.6%

**Taxable Sales and Pro Forma Special Sales Tax Revenues**  
**(fiscal years 1994-95 through 2007-08)**

<b>Fiscal Year Ended June 30</b>	<b>Taxable Sales (in thousands)</b>	<b>Pro Forma and Projected Special Sales Tax Revenues (in thousands)<sup>(1)</sup></b>
1995	293,067,153	732,668
1996	312,164,409	780,411
1997	328,820,504	822,051
1998	350,171,458	875,429
1999	372,994,015	932,485
2000	420,351,635	1,050,879
2001	447,476,763	1,118,692
2002	436,998,016	1,092,495
2003	447,906,207	1,119,766
2004	480,065,020	1,200,163
2005	515,298,184	1,163,025
2006	555,880,834 <sup>(2)</sup>	1,402,496

(1) Pro Forma Special Sales Tax Revenues are calculated as 1/4 of 1 percent of taxable sales from 1995 through 2004. For 2005 and future years, revenues reflect transfers to the Fiscal Recovery Fund for economic recovery bonds.

(2) Preliminary

Taxable Sales in the Top Ten Counties  
(fiscal years ending June 30, 1999 through 2006)  
(\$ in thousands)

Rank	County	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
1	Los Angeles	\$93,051,927	\$102,742,762	\$107,426,692	\$107,238,290	\$110,992,734	\$118,041,687	\$126,061,356	\$134,349,828
			10.4%	4.6%	-0.2%	3.5%	6.4%	6.8%	6.6%
2	Orange	38,437,228	42,553,609	44,595,314	44,207,950	45,908,071	49,756,671	53,100,976	56,395,573
			10.7%	4.8%	-0.9%	3.8%	8.4%	6.7%	6.2%
3	San Diego	30,957,032	34,586,860	37,699,333	37,981,561	39,523,203	42,881,287	45,485,177	47,468,079
			11.7%	9.0%	0.7%	4.0%	8.5%	6.1%	4.4%
4	Santa Clara	28,140,513	33,843,217	36,597,963	28,974,350	26,654,555	27,906,947	28,878,335	31,623,873
			20.3%	8.1%	-20.8%	-8.0%	4.7%	3.5%	9.5%
5	Alameda	19,641,497	22,328,105	23,817,120	21,696,871	21,112,271	22,255,564	23,394,276	24,949,557
			13.7%	6.7%	-8.9%	-2.7%	5.4%	5.1%	6.6%
6	San Bernardino	15,852,872	17,885,700	19,376,056	20,050,622	21,753,274	24,120,368	27,890,904	31,212,132
			12.8%	8.3%	3.5%	8.5%	10.9%	15.6%	11.9%
7	Riverside	14,031,503	16,131,902	17,585,745	18,774,610	20,434,075	23,424,811	26,646,380	29,646,438
			15.0%	9.0%	6.8%	8.8%	14.6%	13.8%	11.3%
8	Sacramento	14,026,269	15,926,356	16,994,534	17,377,311	17,902,503	19,352,477	20,662,020	15,028,409
			13.5%	6.7%	2.3%	3.0%	8.1%	6.8%	-27.3%
9	San Mateo	11,295,693	13,175,535	13,961,577	11,967,932	11,352,696	11,560,519	12,055,706	12,671,805
			16.6%	6.0%	-14.3%	-5.1%	1.8%	4.3%	5.1%
10	San Francisco	11,556,144	13,403,319	13,721,570	11,684,354	11,428,531	11,901,677	12,477,513	13,459,636
			16.0%	2.4%	-14.8%	-2.2%	4.1%	4.8%	7.9%
	<b>Top 10 County Total</b>	<b>\$276,990,678</b>	<b>\$312,577,365</b>	<b>\$331,775,904</b>	<b>\$319,953,851</b>	<b>\$327,061,913</b>	<b>\$351,202,008</b>	<b>\$376,652,643</b>	<b>\$396,805,330</b>
	<b>Total Taxable Sales</b>	<b>\$372,994,015</b>	<b>\$420,351,635</b>	<b>\$447,476,763</b>	<b>\$436,998,016</b>	<b>\$447,906,207</b>	<b>\$480,065,020</b>	<b>\$515,298,184</b>	<b>\$553,519,835</b>
	<b>Top 10 as a % of Total Taxable Sales</b>	<b>74.3%</b>	<b>74.4%</b>	<b>74.1%</b>	<b>73.2%</b>	<b>73.0%</b>	<b>73.2%</b>	<b>73.1%</b>	<b>71.7%</b>
	average socal		12.1%	7.1%	2.0%	5.7%	9.7%	9.8%	8.1%
	average norcal		16.0%	6.0%	-11.3%	-3.0%	4.8%	4.9%	0.4%
	statewide		12.7%	6.5%	-2.3%	2.5%	7.2%	7.3%	7.4%